

1/25/79

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THE WHITE HOUSE

WASHINGTON

January 25, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: JACK WATSON *Jack*
SUBJECT: THE SOUTH BRONX

There have been several newspaper articles in the New York papers since my meeting with Ed Koch and Herman Badillo last week to discuss the South Bronx. Some of them, particularly those in the New York Post, have alleged that we are "backing away" from your commitment to the South Bronx. Since you may get a question at your news conference tomorrow afternoon, I have given David Rubenstein some background "Q and A's" on my meeting with Koch and Badillo and on the situation in the South Bronx in general; they will be part of your briefing materials for your press conference.

The purpose of my meeting with Koch and Badillo was to try to get some agreement about how to proceed with our mutual efforts in the South Bronx. I reiterated to them (as I have many times before) that our intention is not to pour massive amounts of additional federal funding into the South Bronx, but rather to maximize the use of existing resources, and to work closely with the City, community groups, the State and the private sector, in dealing with the problems that are so pervasive there. I also reiterated that our approach would be incremental and long-term, rather than grand-scale and immediate, in producing results, and that the City's agenda and planning process should reflect that approach. I said absolutely nothing at the meeting that represented any departure whatsoever from positions we have always taken. The problem is that both the Mayor and Badillo have continued to insist that we make very large "front-end" commitments of federal dollars and housing units that, for both budgetary and programmatic reasons, we cannot, and will not, make.

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As a result of our meeting, I think the Mayor and Badillo may realize now for the first time, that we will not agree to set aside vast amounts of additional federal money for "rebuilding of the South Bronx." Both of them seem to be inclined to view the South Bronx undertaking as an "all-or-nothing" situation, and to want to back out of any serious commitment to a South Bronx effort on the ground that we refuse to promise large sums of money in advance. I continue to believe that very significant things can be done to benefit the South Bronx without operating on a grand scale, and I have told the Mayor that we wanted to continue to work with him and the community on that basis. I think it is important for us to make clear that we are standing by your commitment to help the South Bronx in every way possible, but it is also important for us to do so on terms that reflect the political, budgetary and programmatic realities.

THE WHITE HOUSE
WASHINGTON

Loc/St anti-inflation

- Fortune 500

- Sugar

- Calif Farm Workers. Chavez

- ~~Oil~~ Oil workers

- ICE appointments ^{over} 7059

- Hold on expenditures - budget

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- > Talmadge - call in p.m.
- > V.P. role ↑
- > Consolidate Grants, etc
- > Budget. Bill & Bob
Loc/st Conference
- > Hosp Cont - Bill - Dan
H.W & M ok Com?
S. good re Nelson
- > Reorg - Bob Mild negat
Terry H
Ed S 1st Support ↓ S ↑
- > RWI - Cable - Scepticism - industry
- > D 2 - good H = S move quickly
- > Surface Xprt - Free Talo
WH stay out of Can Turida
- > Pub Fin - Long ? → no
SALT = late on outreach
PRC - SFRC - H 9 com
Panama H 5 S Ann Sew.

THE WHITE HOUSE
WASHINGTON

rick--

notes from two different
appointments on each side
of card--from 1/25/79

CHINA TV interview
1/25/79

HISTORICAL

END OF ESTRANGEMENT
+ COMM. CULT. TRADE. SCI
POL

+ WELFARE US/PRC
PEACE & STABILITY

BROAD BASE OF SUPPORT

JEC. HUA - DENG

PR NIX-FORD - CHEN. MAO

- VPR DENG, WIFE & U.S.

US WELCOME

- PRIVATE TALKS. AGENDA

- CONG. ATL. NASH. SEATTLE

L.A. VPR. FANG YI

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Muskie - Giarino 1/25/
79

Dev of '80 budget
+ 3% D.D

Econ assumptions

\$532 b. \$29 b

Hold \$ Fraud, etc

RWI 1st Resol.

Hosp Cost. Soc Sec, etc

Budget task force

Coop

Budget com. key

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THE WHITE HOUSE
WASHINGTON

January 25, 1979

TO: PRESIDENT CARTER
FROM: SARAH WEDDINGTON *S.W.*
SUBJECT: STATUS OF ERA AS OF JANUARY 25, 1979

Your State of the Union message where you referred to ERA has received great reviews from all over the Country. It was a boost that was badly needed at this time.

The three states where we are most active regarding ERA ratification are North Carolina, Florida, and Oklahoma. I have also been to Illinois, Missouri, and Nevada.

North Carolina

We were instrumental in getting Jessie Rae Scott (the wife of former Governor Bob Scott) to be ERA Coordinator in North Carolina. I went down and had dinner with Lt. Governor Jimmy Green (who has been opposed to ERA) and his top assistant, Senator Craig Lawing. I visited with Governor Hunt in Memphis; Mrs. Carter has visited with him since. Joel McCleary is working closely with my office. We are actively involved in working quietly for ratification.

North Carolina appears to have a good chance to ratify within the next few weeks. Governor Hunt's office says that he is meeting today at 5:00 p.m. with three swing votes in the Senate (Senators Joe Thomas, Billy Mills and Sam Noble). According to Senator Lawing if the Governor can pick up those three votes, Lt. Governor Jimmy Green will deliver the other votes needed (3-4). It is possible that the bill will be introduced Monday, depending on the Governor's success regarding swaying votes. House sponsor George Miller and Speaker Stewart say they can pass ERA in the House. Constant pressure and help from both the Governor and Green is necessary.

Florida

Phil Wise and Dick Petigrew are helping us regarding Florida. Essentially, we need 1-2 votes in the Senate.

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Florida does not go into regular session until April; therefore for ERA to come up before the original deadline it will have to be in a special session. Governor Graham MIGHT call a special session if he is sure we can pass it. We have the votes in the House, according to House sponsor Elaine Gordon, but we have problems in the Senate. Senate President Phil Lewis has said that he will send the bill to the Rules Committee where ERA foe Dempsey Barron is Chair. Barron and Lewis are the keys -- if we get it out of committee we need one more vote. Vernon Holloway, District 39 from Miami, ran a poll in his district and we won it 2 to 1, yet he still hasn't committed to vote with us. If he comes across we should win PROVIDED Barron has been "appeased" somehow. Governor Graham is either unable or unwilling to do very much.

Dick Swann at Phil Wise's request is visiting with key individuals.

Oklahoma

I went to Oklahoma in November and worked with Representative Cleta Deatherage in visiting key legislative leaders.

The key in Oklahoma is strong leadership. A good start was made this week when Speaker Draper and Senate President Howard (whom I met with) introduced the ratification bill.

You will meet with Governor Nigh, Howard, Senate Majority Leader Lane, Draper and House Majority Leader Vernon Dunn on February 1. They need to be made to realize the great importance of their leadership in delivering the votes needed. They are all pro-ERA.

Our office is working with Terry Straub who has put us into contact with Chris Delaporte.

cc: Mrs. Carter
Vice President Mondale

ID 786722

THE WHITE HOUSE

WASHINGTON

DATE: 25 JAN 79

FOR ACTION:

INFO ONLY: HAMILTON JORDAN

TIM KRAFT

JODY POWELL

JERRY RAFSHOON

ANNE WEXLER

SUBJECT: WEDDINGTON MEMO RE STATUS OF ERA AS OF TODAY

+++++
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: +
+++++

ACTION REQUESTED:

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

8:00 AM

THE WHITE HOUSE
WASHINGTON

January 24, 1979

MEMORANDUM TO THE PRESIDENT

FROM: Alfred E. Kahn

Free

SUBJECT: Agenda for Inflation Breakfast, Thursday,
January 25, 8:00 a.m., Cabinet Room

1. Responses by the Fortune 500 (see the attached summary), ~~and the form responses we have been sending~~.

2. The State and Local Anti-Inflation Program (see the attached description). This is an ambitious program, for which our plans are now well-advanced. We are proposing that we bring Governors, mayors and county officials into the White House in early February to launch it.

3. The upcoming issues in sugar. We have had several meetings of CWPS, CEA, DPS staff and also with representatives of COIN, and are planning to make this a major anti-inflation effort. This discussion is somewhat premature, since there will be a meeting on this subject of all the interested principals on Friday, January 26; but you might wish to have a totally informal and preliminary discussion of the issues.

Attachments

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THE WHITE HOUSE

WASHINGTON

January 24, 1979

MEMORANDUM TO THE PRESIDENT

FROM: Alfred E. Kahn

SUBJECT: Fortune 500

We have received 375 responses from companies to your letter to the Fortune 500, asking them to commit themselves to comply with the price standard in the Anti-Inflation Program. Your letter obviously created some nervousness among corporate lawyers, since the commitments they have given us are often carefully worded. We feel, nevertheless, that the responses are in general highly positive.

Out of the 375 responders, 204 have said that they intend to comply with the price standard. We have sent them letters expressing our appreciation. Another 16 said they would comply provided increases in their input costs did not make it impossible. We are in process of explaining to these companies that if their costs have risen or rise uncontrollably, they can make use of the profit-margin alternative, and asking for an unequivocal statement of compliance, based on this interpretation.

The bulk of the remaining companies, while expressing support for the program in varying degrees of generality -- some, explicit statements of intention to comply, others more general statements -- have responded that they need to await further clarification of the standards, or that there remain unresolved issues concerning their industry or firm. Prominent among these are petroleum companies and food processors. Both of these are, because of the prospect of uncontrolled increases in the price of the major inputs, unable to comply with the price deceleration standard, and have questions about the application of the gross or profit margin tests. The case of the oil companies is further complicated by the fact that their refinery margins were directly regulated during the base

period. Similar problems have been raised with us by department stores and mail order houses, who cannot avail themselves of the price deceleration standards, and for whom the gross margin standard creates special problems. We have been meeting with representatives of all three of these industries and expect to have these issues resolved within the next two weeks.

Approximately ten firms have expressed very strong reservations about the wage/price standards; of these, however, only two have been totally noncommittal.

We will very soon have sent a suitable response to all firms, including the ones that have not yet replied, and will press ahead intensively to complete the survey. I attach copies of the form responses we have been sending to the firms whose answers can readily be classified.

10:30

THE WHITE HOUSE

WASHINGTON

January 25, 1979

5

MEMORANDUM FOR THE PRESIDENT

FROM:

JODY POWELL *JP*

Today when I come in for my regular appointment, I will have with me Jim Hoge, Editor-in-Chief and Vice President of The Chicago Sun-Times, who is in town for a few days; and the Washington bureau chief for the Sun-Times, Pat Oster, to shake hands and say hello -- nothing more.

A little background on Hoge:

He has been with the Sun-Times for approximately 20 years, working his way up from the Washington bureau, then to Chicago as city editor, managing editor, etc. He is extremely interested in foreign policy, particularly NATO and Japan. He has attended one of our editors' briefings -- on May 20, 1977.

Pat Oster:

Pat succeeded my bosom buddy Loye Miller as bureau chief of the Washington Bureau approximately a year ago. I sat with him and Jim at the Washington Press Club dinner last night.

I will have a White House photographer present to take a couple of shots of each of them shaking hands.

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THE WHITE HOUSE

WASHINGTON

January 22, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: BERNIE ARONSON, ^{BA} CAROL COLEMAN ^C

SUBJECT: Talking Points - Meeting with four or five outstanding young Americans in connection with Junior Achievement Week, January 25, 1979

1. I would like to congratulate each of you on your success in Junior Achievement. I worked with the Junior Achievement Program in Georgia. I have seen the tremendous opportunity it offers to young people to learn first-hand how to run a small business; the complex decisions that are involved in running a business enterprise; and the great personal satisfaction and opportunity which we can enjoy as Americans through a free and vital and growing economy.
2. When my wife and I first started work in our family business, I was the only employee. My first year's profit was less than \$200. We had the chance over the years to build up our business and see it grow and provide opportunity and security and a better life for our family.
3. As President, I am committed to building an economy which offers opportunity for growth to small businessmen and women. On Monday, I signed the new budget for fiscal year 1980 which I have sent to the Congress. It is designed to help control our most important economic challenge today -- the inflation

that has been draining the vitality of our country for more than 10 years. By doing so, we can make it possible to have the kind of economic growth we need with stable prices so that when you put the skills and experience you have learned in Junior Achievement to work you will have a genuine opportunity to realize your own potential in a successful business if you so choose.

4. I know that this week marks the 60th anniversary of Junior Achievement, an organization that has benefitted more than two and a quarter million young Americans. I am grateful for the contribution Junior Achievement has made to our young people and our country, and I wish you continued success.

#

12:00 noon

(3min.)

THE WHITE HOUSE

WASHINGTON

January 22, 1979

MEETING WITH JUNIOR ACHIEVEMENT GROUP

Thursday, January 25, 1979

12:00 Noon (three minutes)

The Oval Office

From: Anne Wexler *AW*

I. PURPOSE

To greet five representatives from Junior Achievement Program's National Business Leadership Conference

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

A. Background: The greeting and photo with the five outstanding young Americans is to support the 60th anniversary of Junior Achievement which is being celebrated during Junior Achievement Week, January 21-27. The purpose of Junior Achievement Week is to highlight, through various events, the accomplishments of the non-profit organization and the benefits that the more than 2,250,000 young Americans have experienced because of their participation in JA. Last year you met with 10 representatives from the same group in support of the organization.

B. Participants: Seth Eisenberg
Teresa Hord
Julis Little
David Hatfield
Michael Liss

Richard Maxwell, President, JA, Inc.
Glenn V. Gardinier, National PR Director

Steve Selig, Staff

C. Press Plan: White House photo
Press Pool coverage

III. TALKING POINTS

See Attached

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Junior Achievement Meeting

PARTICIPANTS:

All of the Junior Achievers present for this meeting are among 24 outstanding Achievers chosen to participate in the National Reader's Digest Speakers Corps.

SETH EISENBERG, 17, Washington, D.C. -- Chosen as the Washington, D.C. Salesperson of the Year and was elected as President of the 1979 National Junior Achievers Conference.

DAVID HATFIELD, 18, Owensboro, Kentucky -- Served as President and Vice President of Sales of his Junior Achievement companies and won the 1978 Owensboro, Kentucky President of the Year Contest.

TERESA HORD, 18, Terre Haute, Indiana -- Selected as the Terre Haute Corporate Secretary of the Year for three consecutive years and placed first in the 1978 National Corporate Secretary of the Year contest.

JULIA LITTLE, 17, Charleston, West Virginia -- Won the 1978 Charleston, West Virginia Achiever Award and the Junior Executive Award.

MICHAEL LISS, 17, Cincinnati, Ohio -- First joined Junior Achievement in San Juan, Puerto Rico, where he served as the 1977 Eastern Regional Coordinator of the National Achievers Association.

1/22/79

THE WHITE HOUSE

WASHINGTON

January 24, 1979

MEMORANDUM TO THE PRESIDENT

FROM: ALFRED E. KAHN

SUBJECT: A State and Local Anti-Inflation Program

We plan, after clearances with interested Agencies, to ask your approval of a systematic effort to involve state and local governments in the anti-inflation program.

I need hardly explain why this seems to us extremely important. It is not merely that state and local governmental expenditures and employment are a large part of the national economy; and that their tax, expenditure, regulatory, and procurement policies directly bear on the national rate of inflation, and can be harnessed to your program for combating it. There is the additional powerful consideration that a voluntary program like ours is one that will work only to the extent that it enlists the active participation of all elements of our society, both governmental and private. The state and local governments can provide an important link between the program and the general public. And it has seemed to me increasingly important that we involve private citizens and citizen organizations, not only to monitor and bring pressure to bear on wage and price decisions, but also to constitute a kind of active, anti-inflation coalition that will give us the kind of political support we need for the attack on special interest legislation,

and on regulation that suppresses competition, protects particular interests, and imposes unreasonable costs on the economy.

Much of this regulatory apparatus is, of course, at the state and local levels; and its reform at those levels is probably at least as important as at the federal level.

We have done a great deal of work, in collaboration with Jack Watson's and Anne Wexler's people, to develop a broad-ranging and attractive state and local program. We are also soliciting reactions by your various Executive Departments.

The following outline is, therefore, still subject to pruning and revision; but I think it will provide you with a reasonable picture of the kind of effort we envisage.

I. Voluntary State and Local Actions

The actions that the state and local governments would be urged to take would in large measure mirror the effort at the federal level.

A. Compliance with the wage guidelines

The clear emphasis here would be on providing information and guidance in a timely manner to ensure that problems that arise in setting wages for public employees are detected and corrected before state and local governments take actions that put them out of compliance.

B. Adoption of anti-inflation procurement policies

The development of such policies is likely to be a major undertaking for most jurisdictions. In some there are constitutional requirements that only lowest bids can be accepted. These legal roadblocks are sure to be compounded by institutional inertia, political pressures, and lack of technical capacity.

To help overcome these barriers and to ensure as much state and local participation as possible, the program will include --

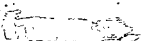
- o development of model procurement programs -- legislative and administrative -- based on the federal ones;
- o technical assistance to state and local governments to adapt the models to their own use; and,
- o a compliance certification service, to help identify complying and noncomplying companies.

C. Regulatory reform and sectoral programs

There is clearly just as great an opportunity for a fruitful attack on excessively burdensome and anti-competitive regulation at the state and local as at the federal level. These efforts are particularly important in the attack on inflation in the sectors of greatest importance to consumers -- housing, medical care, food, energy -- which have made

disproportionately large contributions to inflation in the cost of living.

1. Housing. Actions that state and local government could take to combat the sharp escalation in costs of land, construction and renovation, financing and securing government approvals.

- o Review zoning ordinances, paying particular attention to the effect lot-size and/or  house-size restrictions have in reducing the flow of newly constructed, moderately priced housing.
- o Improve long- and short-term planning, so that sewer capacity is not exceeded, resulting in moratoriums on new hookups and costly catch-up construction. Where new capacity needs are identified, plans should be made to build simultaneously with other development work like roadbuilding, so duplicative costs are avoided.
- o Review requirements for developers to build roads, sewers, sidewalks, etc., to be certain that they are not unnecessarily onerous.
- o Simplify the steps a developer must take to receive permission to build. Systems should be designed to eliminate duplicate reviews, ✓

minimize administrative costs, and limit the delay required to attain desired goals in planning, safety, and environment.

- o Adopt one of the principal national building codes and keep it updated and unmodified by the local jurisdiction.
- o Review efforts to preserve prime agricultural land around growing urban areas to assure that enough land is made available for housing and community development.
- o Review and modify rehabilitation codes to facilitate housing renovation both by professionals and by unlicensed and non-skilled persons, with work to be accepted, if upon inspection it complies with safety requirements.
- o Improve the administration of local building and housing codes by training, certifying and licensing code administrators, inspectors and technicians.
- o Modify state and local regulations to allow rapid review and approval of new technology, methods and materials, and to permit reciprocal approvals among jurisdictions with such procedures.
- o Adopt more efficient land title and property title record systems.

- o Promote competition among real estate firms, settlement attorneys, and title insurance companies.
- o Eliminate state usury ceilings on mortgages which tend to reduce funds available for mortgages.
- o Review the administration of state labor laws patterned after the Davis-Bacon Act to assure that wage-rate determinations properly reflect prevailing wages just as we are doing at the federal level.
- o Encourage policies that share capital costs of public facilities throughout the total community.

2. Health care. The efforts here would seek to remedy or offset the failure of health care delivery systems to provide sufficient incentive to hold down costs:

- o Encourage state insurance commissioners to urge health insurers to contain claims cost increases. Insurers could be encouraged to modify payment policies that have contributed

- to inflation in medical costs, such as the "usual customary and reasonable" approach to paying for physicians' services.
- Allow or encourage pharmacists to substitute generic prescription drugs for more expensive brand name drugs.
- Consider the development of hospital rate review mechanisms, which could review and approve hospital rates and budgets.
- Strengthen health planning mechanisms to limit wastefully duplicative hospital facilities, and to ensure the availability of less costly facilities for patients who do not require the degree of care provided by hospitals.
- Encourage hospitals and physicians to display their charge and fee structures.
Hospitals could also be urged to make detailed budget and financial data available to the public.
- Encourage the development of health maintenance organizations (HMOs).

- o Review existing and proposed state and local regulations concerning safety, staffing and related licensure standards for hospitals, nursing homes, and other health care institutions. Many of these regulations are more stringent than or unnecessarily different from federal regulations, and add to costs.
- o Require that retail outlets display prices of commonly sold drugs, eyeglasses and medical supplies and devices.

3. Licensing requirements and advertising restrictions. These controls often unnecessarily restrict competition. State and local governments would be urged to:

- o Review and revise existing licensing requirements to restrict them to professions where they are clearly needed.
- o Consider the inflationary effects of remaining requirements, and eliminate those where costs outweigh gains.
- o Examine alternatives to restrictive licensing for protecting consumers.

- o Examine inconsistent or conflicting requirements among various states or localities, to weed out restrictions that favor existing practitioners or those in a particular locality.
- o Review advertising restrictions and reduce them to minimum needed to protect the public.

4. Environmental and health and safety regulations. As at the federal level, state and local governments would:

- o Seek out opportunities for requiring more controls on classes of facilities with low control costs and less on those with high control costs.
- o Plan for the use of limited clean air and water quality resources through use of market mechanisms (e.g., payments for the right to pollute) or other such approaches, so those resources are not used up on a first-come-first-served basis, resulting in expensive retrofits or absolute limits to further economic growth.
- o Use carefully designed economic incentives where possible to achieve regulatory goals more effectively and at lower cost.

- o Expedite, simplify, and/or consolidate state/local permitting decisions to reduce the administrative cost and the delay involved in constructing new facilities. EPA's new permit program reforms may serve as a model.
- o Set performance standards wherever possible rather than detailed specifications of how performance goals must be reached.
- o Examine the possibility of pruning unnecessary reporting requirements.

5. Public utility and public transportation regulation. We would ask the state regulatory bodies to:

- o Apply the voluntary pay and price standards in setting rates or approving changes.
- o Consider the possibility of eliminating or revising automatic cost pass-through provisions (such as fuel adjustment clauses) in order to increase incentives to minimize costs.
- o Adopt rate schemes (such as time-of-day pricing, charges for Directory Assistance, metering of water usage, and timing of

local telephone calls) that relate charges more closely to the varying costs of different kinds of service.

- o Take action against transportation rate bureaus.
- o Scrutinize cost pass-throughs -- especially negotiated costs -- in the transportation sector.
- o Work to achieve uniformity in transportation regulations (e.g., weight and length regulations) that now differ from one state to another.
- o Where feasible and practical, require ultimate consumers of energy to pay its cost: for example, by forbidding rent-inclusion of utility services, and permitting sub-metering.
- o Review transportation abandonment policies and procedures and eliminate those that require transportation operators to continue uneconomic services. Regulatory bodies should closely examine services in marginal areas to see if they could be more effectively and economically provided in other ways.

6. Food and agriculture. While the main effort here would be at the federal level, it is desirable

for state and local authorities to:

- o Review state wholesale and retail milk price regulations, which exist in about a dozen states. The cost to consumers has been estimated at about 3.5 cents per half gallon.
- o Review quantity and quality restrictions in fruit and vegetable marketing orders.
- o Work for great uniformity in state labeling requirements; differences among states increase processors' costs.
- o Reconsider proposals for making food containers in metric sizes. The shift imposes costs.

7. Financial regulation. We would also urge them to:

- o Examine and revise financial chartering and branching regulations to foster competition.
- o Consider permitting a greater measure of price competition in the sale of insurance.
- o Examine existing tort claims laws to see how they affect insurance costs, particularly

in such areas as product liability and medical malpractice.

D. Budget and tax policies

State and local governments would be urged to exercise spending restraint, and to take into consideration the fact that some taxes -- notably sales taxes -- are more inflationary than others.

E. Improved productivity in the delivery of government services

It is widely recognized that there is a great deal of room for improvement in the productivity of state and local governments, and opportunities for otherwise reducing the costs of delivering public services. The anti-inflation program can assist by:

- o Simplifying the grant-in-aid system (move on this below).
- o Providing private sector involvement through the state and local task forces (the very positive experience of Detroit could be used as a model for this program element).
- o Focusing federal attention on the problem.
(A National Productivity Council Task Force is now studying what role the Federal Government should take in improving state and local

productivity. Its report is scheduled for April 30, and will help chart the course for further federal action.)

II. Simplifying the Federal Grant-In-Aid

Obviously, the principal emphasis of the state and local anti-inflation program will be in the areas we have already discussed -- areas in which voluntary action by those local and regional authorities, with our encouragement and assistance, can make a direct contribution to damping the rate of inflation and involving all of our people in the effort.

For two important reasons, however, we feel that a major effort by the Administration to renew, expand, and begin to deliver on its commitment to streamline and simplify the federal grant-in-aid system deserves a prominent place in the program.

The first reason is, simply, that such a simplification would in itself be anti-inflationary; it would very substantially reduce administrative costs, and increase the efficiency with which the federal dollars are spent.

A second, and in a sense even more important reason, is that such a commitment and major effort on our part would be very attractive to the state and local governments, and give them a powerful incentive to participate in the entire program.

Since this effort would clearly fall to OMB to develop and carry out, we have been consulting with them about it, and will continue to do so. For this reason, the following discussion is somewhat impressionistic and suggestive. But we plan to press forward in our consultations with OMB, in order to come up with a plan that they will be willing to prosecute, with such assistance as we can provide.

A. The need

The federal grant-in-aid-system is the target of repeated criticisms by state and local officials. Although important steps have been taken to reform it, it remains fragmented, confusing, and marked by wasteful overlap. Administrative costs are high and escalating.

The problem is the federal management of the system lacks focus and central direction. As a result, the grants are administered program-by-program, which gives rise to unnecessary complexities and the high administrative costs at all levels of government to which I have already referred.)

B. The Program

1. Administrative actions

We can start to solve this problem by establishing in OMB a single entity responsible for (a) coordinating existing simplification efforts, (b) identifying new areas for action and (c) effectuating reform measures throughout the government.

OMB is now engaged in a wide range of grant-in-aid simplification activities. Among many others, these include the Grants and Cooperative Agreement Study (under P.L. 95-224), planning simplification and revision of OMB Circular A-102. Those activities can be the foundation of the simplification initiative. But there is a need for central direction and coordination of these efforts, partly in order to give them maximum visibility, and partly in order to increase their effectiveness: priorities need to be set, and the efforts that can be moved to completion rapidly should be identified and expedited.

A coordinating group in OMB is needed also in order to exploit new areas of reform.

Program consolidation, reduction in the costs of federal mandates, grant packaging under authority of the Joint Funding and Simplification Act are only a few of the ones that have already been identified as promising. We suggest an immediate commencement of cooperation with state and local representatives to develop and carry forward these and other new proposals.

Finally, the OMB groups could assume the leadership in implementing reforms throughout the Federal Government. Even after new policies are formulated, making them work will be difficult; but there are opportunities here for genuine results.

2. Legislative Initiatives

Presidential authority to reform the grant-in-aid system is limited by law. We urge the development of legislative proposals (modeled on the Reorganization Act) to expand your authority to consolidate grant programs and standardize common requirements. Also, the Administration should lend its support to the reenactment of the Joint Funding and Simplification Act, an underused tool for grant-in-aid reform.

III. Outreach

If this program is to succeed, I think it is clear it needs a major public relations effort (which, I understand, it is now fashionable to refer to as "outreach"). The purpose would, of course, be to enlist the active involvement of as many state and local governments as possible. Our suggestion is that it include the following:

- o Washington meeting

To inaugurate the program officially, we would schedule a major Washington meeting in early February. The agenda would include welcoming statements from you and me, and working sessions with program staff to discuss the program. Participants would include governors, mayors, state legislators and county officials.

- o State and local councils

We would encourage governors and mayors to establish anti-inflation advisory councils similar to the one set up by Florida Governor Graham. The membership would consist of business executives, consumer representatives, labor leaders, as well as government officials. They would help set the goals, develop plans for meeting them, provide information to the

public, and enlist active public participation.

In addition, we would encourage these councils -- or some other agency of state government -- to develop limited compliance monitoring capabilities to help administer the proposed anti-inflationary procurement policies.

o State and local conferences

We would help and urge the state and local councils to organize anti-inflation conferences in as many cities, counties and states as possible. These would help highlight the importance of the state and local roles in the program, involve the public, and serve as a mechanism for providing technical assistance to all the participating groups. The conferences would include workshops on the high inflation sectors of the economy. We would undertake to provide participants from Washington -- including me. This would help also to give continuing publicity to the program, and, we hope, generate continuing public enthusiasm and confidence.

- o Continuing technical assistance and public exposure for the program outside Washington

With the expansion of the state and local programs -- procurement policy, budget and tax restraint, and regulatory reform -- these governments are likely to require much more guidance and technical support than they have been receiving. We would undertake to provide the technical assistance on a continuing basis, by establishing several technical assistance teams who would be available for on-site consultation with state and local government officials.

These visits by federal officials could be used to spread public understanding and awareness of the program through the local communications media. As part of each visit, the technical assistance teams could give newspaper interviews and appear on local radio and television.

THE WHITE HOUSE

WASHINGTON

(Category #1)

Dear _____:

I speak for the President as well as myself in expressing deep appreciation for your commitment to comply with the voluntary standards for price increases. I know it is unnecessary to tell you how important a strong commitment by American business is to our anti-inflation program.

We renew our pledge to do our part by holding down government spending and the budget deficit, and by injecting economic sense into regulation. It is the combination of price and wage compliance by business and labor with self-restraint by government that will bring us success.

Your continued compliance with the anti-inflation program will be an act of civic responsibility in which you may take pride. It is important not only in its own right, but in the example it sets for others. A public expression of your compliance will help reassure people that if they support the program and adhere to the standards, they will not be acting alone. I urge you to include in your advertising, your billing, and your correspondence a statement to the effect that "We are complying with the President's

anti-inflation standards." It would be most helpful if you could also ask your subcontractors and suppliers to comply as well. By doing so you will help multiply the beneficial effect of your contribution.

I hope that you will work closely with the Council on Wage and Price Stability to resolve any residual questions you may have about the standards.

Sincerely,

Alfred E. Kahn
Advisor to the President
on Inflation

THE WHITE HOUSE

WASHINGTON

(Category #2)

Dear _____:

I speak for the President as well as myself in expressing appreciation for your strong support of the voluntary standards for price increases. I know it is unnecessary to tell you how important the cooperation of American business is to our anti-inflation program.

In your letter to the President, you expressed willingness to comply with the price standard. You expressed concern, however, that your firm faces future increases in input costs that may make it difficult for you to meet the price deceleration goal. As I am sure you are aware, your company may comply by adhering instead to the profit margin limitation, if price deceleration is infeasible. Would you please give active consideration to this alternative, to see whether it resolves your uncertainty. If it does not, won't you please discuss your particular situation promptly with Jack Triplett (456-7000), who is the Director of the Office of Price Monitoring at the Council on Wage and Price Stability?

I'm sure you will understand why I urge you to resolve your remaining doubts as soon as possible, and send me a letter

which restates your commitment to comply with the price standard.

Your compliance with the anti-inflation program is important not only in its own right, but in the example it sets for others. In addition to making a commitment to comply, I urge you to consider including in your advertising, your billing, and your correspondence a statement to the effect "We are complying with the President's anti-inflation price standard." It would be most helpful if you could also ask your subcontractors and suppliers to comply as well. By doing so, you will help multiply the beneficial effect of your contribution.

We renew our pledge to do our part by holding down government spending and the budget deficit, and by injecting economic sense into regulation. It is the combination of price and wage compliance by business and labor with self-restraint by government that will bring us success.

Sincerely,

Alfred E. Kahn
Advisor to the President
on Inflation

THE WHITE HOUSE

WASHINGTON

(Category #3)

Dear _____:

I speak for the President as well as myself in expressing appreciation for your strong support of the voluntary standards for price increases. I know it is unnecessary to tell you how important the cooperation of American business is to our anti-inflation program.

In your letter to the President, you indicated that your firm is willing to comply with the price standard. You also suggested, however, that some questions and reservations remain. I hope that your questions have by now been answered, and that you have had an opportunity to review the revised standards issued on December 13. If there remain any issues on which you require further clarification, won't you please raise them with Jack Triplett (456-7000), who is the Director of the Office of Price Monitoring at the Council on Wage and Price Stability?

I am sure you will understand why I urge you, as soon as any outstanding issues are resolved, and at the earliest possible date, to send me a letter that restates your intentions.

Your compliance with the anti-inflation program is important not only in its own right, but in the example it sets for others. In addition to making a commitment to comply, I urge you to consider including in your advertising, your billing, and your correspondence a statement to the effect that "We are complying with the President's anti-inflation price standards." It would be most helpful if you could also ask your subcontractors and suppliers to comply as well. By doing so, you will help multiply the beneficial effect of your contribution.

We renew our pledge to do our part by holding down government spending and the budget deficit, and by injecting economic sense into regulation. It is the combination of price and wage compliance by business and labor with self-restraint by government that will bring us success.

Sincerely,

Alfred E. Kahn
Advisor to the President
on Inflation

THE WHITE HOUSE

WASHINGTON

(Category #4)

Dear _____:

I speak for the President as well as myself in expressing appreciation for your support of the voluntary standards for price increases. I know it is unnecessary to tell you how important the cooperation of American business is to our anti-inflation program.

In your letter to the President, you said that you would have to review the final price standard before making an explicit commitment to comply. I hope that your questions have by now been answered and that you have had an opportunity to review the revised standards issued on December 13. If there remain any issues on which you require further clarification, won't you please get in touch with our Director of Price Monitoring, Jack Triplett (456-7000), at the Council on Wage and Price Stability?

I am sure you will appreciate how important it is that I receive an explicit statement of your commitment to comply with the price standard as soon as possible.

Your compliance with the anti-inflation program is important not only in its own right, but in the example it sets for others. In addition to making a commitment to comply, I urge you to consider including in your advertising, your billing, and your correspondence a statement to the effect that "We are complying with the President's anti-inflation price standards." It would be most helpful if you could also ask your subcontractors and suppliers to comply as well. By doing so, you will help multiply the beneficial effect of your contribution.

We renew our pledge to do our part by holding down government spending and the budget deficit, and by injecting economic sense into regulation. It is the combination of price and wage compliance by business and labor with self-restraint by government that will bring us success.

Sincerely,

Alfred E. Kahn
Advisor to the President
on Inflation

THE WHITE HOUSE
WASHINGTON

1/25/79

Tim Kraft
Arnie Miller

The attached was returned in
the President's outbox today
and is forwarded to you for
appropriate handling.

Rick Hutcheson

FOR STAFFING
FOR INFORMATION
FROM PRESIDENT'S OUTBOX
LOG IN/TO PRESIDENT TODAY
IMMEDIATE TURNAROUND
NO DEADLINE
LAST DAY FOR ACTION

ACTION

FYI

ADMIN CONFIDENTIAL
CONFIDENTIAL
SECRET
EYES ONLY

VICE PRESIDENT

JORDAN

EIZENSTAT

KRAFT

LIPSHUTZ

MOORE

POWELL

RAFSHOON

WATSON

WEXLER

BRZEZINSKI

MCINTYRE

SCHULTZE

ADAMS

ANDRUS

BELL

BERGLAND

BLUMENTHAL

BROWN

CALIFANO

HARRIS

KREPS

MARSHALL

SCHLESINGER

STRAUSS

VANCE

ARAGON

BUTLER

H. CARTER

CLOUGH

CRUIKSHANK

FALLOWS

FIRST LADY

~~GAMMILL~~ Am

HARDEN

HUTCHESON

LINDER

MARTIN

MOE

PETERSON

PETTIGREW

PRESS

SANDERS

VOORDE

WARREN

WISE

THE WHITE HOUSE

WASHINGTON

January 23, 1979

C

MEMORANDUM FOR THE PRESIDENT

FROM:

TIM KRAFT
ARNIE MILLER

TK
AA

SUBJECT:

Board of Visitors to the United
States Military Academy

The Board of Visitors to the United States Military Academy meets annually to inquire into the morale and discipline, the curriculum, instruction, physical equipment, fiscal affairs, academic methods and other matters relating to the Academy.

The Board of Visitors is made up of nine members of Congress and six members are appointed by you and serve three-year terms.

There are presently two vacancies on the Board. We recommend the appointment of:

Thomas R. Donahue (District of Columbia):
Presently Executive Assistant to the President of the AFL-CIO; former Secretary and First Vice President, SEIU; member of the Board of Directors and Chairman of the Executive Committee of the Muscular Dystrophy Association; member of the Committee on Social Development, U.S. Catholic Conference. Recommended by Secretary Alexander and Landon Butler.

James R. Killeen (Michigan): Court Clerk of Wayne County; formerly with the U.S. Department of Justice. Member of the Board of Canvassers and the Tax Allocation Board.

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RECOMMENDATION:

Appoint Thomas R. Donahue and James R. Killeen to the Board of Visitors of the United States Military Academy.

✓ approve

 disapprove

J

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THOMAS REILLY DONAHUE

Member, Local 328, Service Employees International Union, 49-. Executive Assistant to the President of the AFL-CIO, 73-. AFL-CIO, 815 16 Street, NW, Washington, DC 20006, Tel 202 637-5221. Career positions: Director of Education, Local 328, SEIU, 49-52; Director, Contract Department & Assistant to the President, Local 328, 52-57; Labor Program Coordinator, Free Europe Cttee, 57-60; Executive Assistant to the President, SEIU, 60-67; Assistant Secretary for Labor-Management Relations, US Department of Labor, 67-69; Executive Secretary & First Vice President, SEIU, 69-73. Civic activities: Member of the Board of Directors & Chairman of the Executive Cttee, Muscular Dystrophy Association, 67-; Member, Cttee on Social Development, US Catholic Conference, 73-. Education: Mount St Michael High School, 41-44; Manhattan College, 44-45, 46-49, BA; Fordham University School of Law, Evening Div, 52-56, LLB. Military service: Seaman, USN, 45-46. Born Sep 4, 1928, New York, NY. Father: Thomas R; Mother: Mary E.

JAMES R. KILLEEN
BIOGRAPHICAL SKETCH

The elected Clerk of Wayne County, Michigan for the past two and one half (2 1/2) years, James R. Killeen has an extensive and varied professional background in government.

For twenty five (25) years he was employed by the United States Department of Justice in a wide range of assignments. His last position was with the Organized Crime and Racketeering Section.

Mr. Killeen attended American University, has been a lecturer at Michigan State University, University of Detroit and the Ontario (Canada) Police College.

As the Court Clerk of Wayne County, the nation's third most populace county, he is responsible for conducting all elections, he maintains all county records, is a member of the Plat Board, Gun Board, Board of Canvassers and Tax Allocation Board. He manages the investment of several million dollars of court related monies. He directs the activities of 140 employees and the management of a \$1.8 million dollar budget. He works on a daily basis with local, state and federal governmental officials, citizens groups, business, organized labor, industrial and political organizations.

These working relationships cover a wide range of legislative and governmental operations projects and are in addition to regular meetings with the press, radio and television representatives.

Active in numerous civic, political and professional organizations, Mr. Killeen serves on the board of the largest non-governmental Home for the Aging in the United States.

He co-chaired a committee of local elected officials, who made over 100 public appearances on behalf of President Carter's election.

A World War II combat veteran, Mr. Killeen is 53 years old, married and the father of seven children.

MILITARY ACADEMY, BOARD OF VISITORS TO THE UNITED STATES

Independent

AUTHORITY: 10 U.S.C. 4355

METHOD: Appointed by the President

MEMBERS: SIX, appointed by the President

TERMS: THREE years

Two members appointed each year before
December 31st for a period of three years.

Vacancies to be filled for the unexpired
portion of the term for which predecessor
was appointed.

SALARY: Not more than \$5.00 per day and to be reimbursed
for actual expenses of travel while performing duties
as a member of the Board.

THE WHITE HOUSE
WASHINGTON

January 23, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: TIM KRAFT *TK*
ARNIE MILLER *AM*

SUBJECT: Board of Visitors of the United States
Air Force Academy

The Board of Visitors to the United States Air Force Academy meets annually to inquire into the morale and discipline, the curriculum, instruction, physical equipment, fiscal affairs, academic methods and other matters relating to the Academy.

The Board of Visitors is made up of nine members of Congress and six members are appointed by you and serve three-year terms.

There are presently two vacancies on the Board. We recommend the appointment of:

John Kester (District of Columbia): Formerly
Executive Assistant to Secretary of Defense
Brown.

Michael O'Callaghan (Nevada): Former Governor
of the State of Nevada.

RECOMMENDATION:

Appoint John Kester and Governor Michael O'Callaghan
to the Board of Visitors of the United States Air
Force Academy.

✓ approve disapprove

J

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JOHN G. KESTER

28747

Office address: 1000 Hill Building
Washington, D. C. 20036
(202) 331-5502

Home address: 313 North Saint Asaph Street
Alexandria, Virginia 22314
(703) 548-4947

Born: Oshkosh, Wisconsin
June 18, 1938

Family status: Divorced
Two sons, ages 14 and 11

Education: University of Wisconsin
Madison, Wisconsin
B.A. (economics), 1959

Universite d'Aix-Marseille
Aix-en-Provence, France
Fulbright Scholar, 1959-60

Harvard Law School
Cambridge, Massachusetts
LL.B., magna cum laude, 1963

Admitted to bar: District of Columbia, 1964
United States Court of Military
Appeals, 1965
Supreme Court of the United States,
1968
Various federal courts of appeals

Honors and awards: General Motors National Scholar;
Phi Beta Kappa; Phi Kappa Phi; Fulbright
Scholar; Harvard Law Review (President,
1962-63); Army Commendation Medal; Deco-
ration for Distinguished Civilian Service,
Department of the Army.

Employment:

1963-65	Law Clerk to Mr. Justice Black Supreme Court of the United States
1965-68	Assistant to the General Counsel Department of the Army (Captain, JAGC)
1968	Visiting Lecturer in Law Duke University Durham, North Carolina Course: Copyright and Unfair Competition

1968 Private law practice (temporary associate)
 Steptoe & Johnson
 Washington, D. C.
 General practice

1968-69 Assistant Professor of Law
 University of Michigan
 Ann Arbor, Michigan
 Courses: Constitutional Law;
 Unfair Trade Practices

1969-72 Deputy Assistant Secretary of the Army
 (Manpower and Reserve Affairs)
 Areas of responsibility included
 recruitment, race relations, mili-
 tary and civilian personnel policies,
 status of women in the Army, drug
 abuse, officer training programs.

1972- Private law practice
 Williams, Connolly & Califano
 Washington, D. C.
 Partner in general practice law firm
 emphasizing litigation. Areas of con-
 centration have included law and poli-
 tical parties (represented Democratic
 National Committee in Supreme Court
 cases on 1972 delegate credentials
 litigation and television advertising);
 environmental law; criminal law;
 Federal Election Campaign Act; re-
 apportionment of electoral districts;
 communications law; international law.
Pro bono cases for Lawyer's Committee
for Civil Rights under Law and for
 historic preservation groups.

Military service: Served from first lieutenant to captain,
 Army, assigned as Assistant to the General
 Counsel, Department of the Army.

Publications: "Soldiers Who Insult the President,"
 Harvard Law Review, June, 1968.
 "Constitutional Restrictions on Political
 Parties," Virginia Law Review, May, 1974.

Civil activities: Member, Board of Zoning Appeals, Alexandria,
 Virginia.
 Member, Committee on Regulation of Growth
 and Development, Alexandria, Virginia.
 Director, Old Town Civic Association,
 Alexandria, Virginia.
 Counsel, Citizens for Historic Alexandria,
 Alexandria, Virginia.

Languages:

Spanish, French

References:

Ambassador Stanley R. Resor
Department of State
Washington, D. C.

Alfred B. Fitt, Esq.
General Counsel
Congressional Budget Office
Washington, D. C.

Joseph A. Califano, Jr., Esq.
Williams, Connolly & Califano
Washington, D. C.

David E. McGiffert, Esq.
Covington & Burling
Washington, D. C.

Honorable William K. Brehm
Assistant Secretary of Defense
Washington, D. C.

Robert E. Jordan, III, Esq.
Steptoe & Johnson
Washington, D. C.

R. Kenly Webster, Esq.
Kennedy, Webster & Gardner
Washington, D. C.

(Additional references available
upon request.)

MICHAEL DONAL N. O'CALLAGHAN
Governor, State of Nevada 1971-78

Born September 10, 1929, La Crosse, Wisconsin

B.S. and M.Ed., University of Idaho. Postgraduate work at Colorado State University, University of Nevada at Las Vegas, Georgetown University and Claremont Graduate School. LL.D., University, 1973.

Married, five children.

Taught high school in Henderson, Nevada, 1956-61; chief probation officer, director, juvenile court services in Clark County, Nevada, 1961-63; Nevada Director of Health and Welfare, 1963-64; Project Management Director, Job Corps Conservation Centers, Washington, 1964-66; Regional Director, Office of Emergency Planning in San Francisco, 1967-69; Governor of the State of Nevada, 1971-78.

President, Southern Nevada Amateur Athletic Union, 1959-60. Served with the U.S.M.C.R. 1946-48, U.S.A.F. 1950-52, A.U.S., 1952-53. Decorated: Purple Heart, Silver Star, Bronze Star.

AIR FORCE ACADEMY

BOARD OF VISITORS TO THE UNITED STATES

Independent

AUTHORITY: 10 U.S.C. 9355
Executive Order 11390, January 22, 1968,
Section 1 (5)

METHOD: Designated by the President

MEMBERS: SIX persons designated by the President

TERM: Of the first six persons designated by the President -
two shall be designated to serve for one year,
two shall be designated to serve for two years,
two shall be designated to serve for three years.

Persons designated thereafter serve for 3 years.

Two persons shall be designated by the President
each year to succeed the members whose
terms expire that year.

If a member of the Board dies or resigns, a
successor shall be designated for the unexpired
portion of the term.

SALARY: While performing his duties, each member of the
Board is entitled to not more than \$5 a day and
shall be reimbursed under Government travel
regulations for his travel expenses.

PURPOSE: The Board shall inquire into the morale and discipline,
the curriculum, instruction, physical equipment, fiscal
affairs, academic methods, and other matters relating
to the Academy which the Board decides to consider.

The Chaplain of the United States Air Force Academy
is to be appointed by the Secretary of Defense.

12:05 PM
(3 min)

THE WHITE HOUSE
WASHINGTON

January 23, 1979

PHOTO SESSION WITH REPRESENTATIVE FRANK ANNUNZIO

Thursday, January 25, 1979
12:05 p.m. (2 minutes)
The Oval Office

From: Frank Moore *F.M./BR*

I. PURPOSE

To have a photo taken with Rep. Frank Annunzio (D-IL-11.) while he is presenting you with a plaque from the citizens of Maniago, Italy.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

While Rep. Frank Annunzio was traveling with the congressional delegation to the NATO Assembly in Portugal last November, he left the group to visit the town of Maniago, Italy. There, he dedicated a \$875,000 elementary school, which was the first United States construction project to be completed in the \$50 million program aimed at rebuilding portions of Northern Italy destroyed in the 1976 earthquakes. The school is one of twenty-one building projects either underway or in the planning stages that will be built with U.S. AID funds. Rep. Annunzio visited all of the buildings under construction and will furnish a report to you on the success of this U.S. foreign aid program.

The people of the Friulo region, which includes the town of Maniago, were so grateful for our country's assistance, that in appreciation, they presented a bronze plaque to Congressman Annunzio to give to you. The plaque is approximately 6 inches in diameter and is inscribed in Italian "TO JIMMY CARTER WITH GRATITUDE FROM THE INHABITANTS OF FRIULO". There is a face on the plaque with an accurate likeness of you.

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Representative Frank Annunzio
Page two

Participants: The President, Rep. Annunzio, Frank Moore, Jim Free.

Press Plan: White House Photographer only.

III. ADDITIONAL INFORMATION

Committees: (95th Congress)

7 Banking, Finance and Urban Affairs
Subcommittees: Consumer Affairs (Chairman)
Financial Institutions
Supervision, Regulation
and Insurance
General Oversight and
Renegotiation

#6 House Administration
Subcommittees: Accounts
Personnel and Police
(Chairman)

Administration Support: 78.3%

Wife's name: Angeline

THE WHITE HOUSE
WASHINGTON

January 25, 1979

MEMO FOR: SUSAN CLOUGH
FROM: JERRY SCHECTER
SUBJECT: President Carter's
Interview with Chinese
TV This Morning

We have just received the questions which the Chinese will ask the President this morning. The talking points he received yesterday from Zbig cover the answers.

Also enclosed is a brief biography of the interviewer -- Zhao Zhongxiang.

1. Mr. President, you have made positive contributions to the normalization of relations between China and the United States. The Chinese people are most happy about the establishment of diplomatic relations between our two countries. What do you think is the significance of the normalization of Sino-U.S. relations? How would you assess the outlook for our relationship after the normalization?

2. Vice-Premier Deng Xiaoping is coming to the United States soon for a friendly official visit at your invitation. This is going to be the first visit by a Chinese state leader to this country, what do you expect from this visit?

3. Mr. President, what's your assessment of the outlook for the world situation in the new year?

4. This is the first opportunity for the Central TV of the People's Republic of China to have an interview with a U.S. President, we would like to express once again our appreciation. Do you have any message to convey to the Chinese TV audience?

Zhao Zhongxiang

Reporter of the Chinese Central TV since 1963. He is responsible for reporting current international and domestic news for the Central TV.

The news programs are simultaneously relayed daily to all the local TV stations throughout China.

He will be the first reporter to interview President Carter for the Central TV of the People's Republic of China.

Noon
Jan 24

THE WHITE HOUSE
WASHINGTON

1/17/79

Mr. President:

Judge Bell is requesting that you receive the final report of the anti-trust commission chaired by John Shenefield next week. Jack Izard would plan to attend. It's not an appointment I would recommend but because of the people involved I thought you should know.

☒ schedule a brief photo op
☐ keep off schedule

Phil

Clyde Atkins
Tim Smith

(5 min)

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3:00 PM

THE WHITE HOUSE

WASHINGTON

January 24, 1979

C
/

MEETING WITH SENATOR EDMUND MUSKIE
AND CONGRESSMAN BOB GIAIMO

Thursday, January 25, 1979

3:00 p.m. (30 minutes)

The Oval Office

From: Frank Moore *Jm/pd*

I. PURPOSE

To discuss the budget. Also, Senator Muskie may also want to talk about his China trip at the end of the meeting.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

- A. Background: This is an opportune time for you to discuss the economic assumptions underlying your budget with the Chairmen of the two budget committees and to defend your budget decisions. Senator Muskie can be expected to oppose the decision to increase defense spending by 3%.

Congressman Giaimo issued a statement after the State of the Union Message supporting your health and hospital cost containment programs, as well as sunset legislation and public financing for Congressional election campaigns. He stressed that you could count on his cooperation in fashioning a federal budget with these goals in mind.

- B. Participants: The President, Senator Muskie, Congressman Giaimo, Jim McIntyre and Frank Moore.

- C. Press Plan: White House photo only.

III. TALKING POINTS

See attached memo from Jim McIntyre.

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IV. ADDITIONAL INFORMATION

Senator Edmund Muskie

Wife: Jane

Administration Support: 88.2%

Committees: Committee on the Budget, Chairman
Committee on Environment and Public Works
Committee on Foreign Relations

Congressman Bob Giaimo

Wife: Marion

Administration Support: 83.3%

Committees: Committee on the Budget, Chairman
Committee on Appropriations



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

January 24, 1979

MEMORANDUM FOR:

THE PRESIDENT

FROM:

JAMES T. MCINTYRE, JR. *Jim*

SUBJECT:

Your Thursday Meeting with
Chairmen Muskie and Giaimo

I suggest you raise the following points with these Chairmen:

- Stress your involvement with development of the 1980 budget and your personal commitment to its enactment.
- Discuss overall budget themes. Set a positive tone. Explain the reasons for the three-percent increase in Defense spending.
- Senator Muskie will probably question the economic assumptions of the budget. You should express your general confidence in our assumptions, especially given the strong showing in the fourth quarter.
- .. If Senator Muskie presses the issue, you should state that we normally carefully reassess the economy when we do our March, July, and October reestimates. We are aware that our January budget estimates, including especially revenues and outlays for unemployment compensation, depend on the economy. But we do not contemplate -- and would resist -- moderate changes in economic assumptions being used as an excuse for more discretionary spending. Only substantial changes in the economy would require a change in fiscal policy.

- You should indicate your interest in holding to the \$532 billion outlay target is equally as strong as your commitment to a \$29 billion deficit. (Under certain economic scenarios, it may be easier for the Administration to maintain the spending target than the deficit target.)
- Urge the Senators that if their committees make some priority adjustments, they should not make non-programmatic cuts (i.e., reductions to entitlement programs for waste, fraud, and abuse) and then use the "savings" to make increases to programs with real outlay effects, which will balloon spending in the out-years.
- Explain that real wage insurance is essential to the anti-inflation program and that we believe it must be contained in the First Resolution to have any chance of enactment. If the Budget Committees decline to include your proposal, inflation will be worse, and you should indicate your opposition to diverting the \$2.5 billion for added discretionary spending programs.
- Urge the active support of the Chairmen in persuading the authorizing committees to take positive action on legislative savings proposals (hospital cost containment, social security, food stamps, and child nutrition) so these savings can materialize as you recommend.
- State that you would like to work with them again this year to oppose budget-busting authorization and appropriations bills. Explain your hope that most of these bills can be corrected before they reach your desk, but that you will not hesitate to disapprove legislation which is unacceptable for spending reasons.
- Discuss your decision to create the White House Budget Task Force and urge the Members to cooperate with it to help hold down spending.
- Emphasize that we believe that the Budget Committees hold the key to success of your budget and fiscal policy, and that their decisions will be critical to the anti-inflation effort. Close with a reaffirmation of your faith in the congressional budget process and your appreciation to the Chairmen for their role in strengthening the Congress' ability to focus on total spending and economic policy.

Transmitted to the Congress
January 1979